




Engagement Planning Communication Forms

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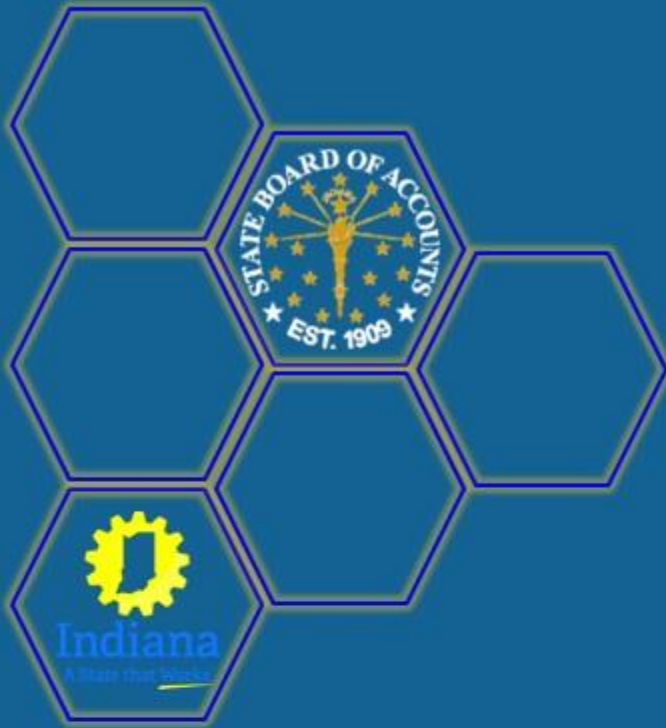
Engagement Strategies Email

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- Email from our Engagement Strategies Department:
 - Form 13
 - Correlating Gateway-compiled files
 - Form 7
 - Form 9
 - Goal: Returned to our Engagement Strategies Department within three weeks of your receiving the Engagement Planning Communication.

Form 13

- Per auditing standards, independence must be maintained by the audit agency and its auditors
- If nonaudit services are performed, safeguards must be in place to ensure independence is not impaired
- SBOA compiles Financial Statement and SEFA from information uploaded to Gateway
- Our safeguard: Form 13





Form 13

(05/21) Form 13

Management Oversight of Nonaudit Services
Period: XXXXXX – XXXXXX

Name of Individual Designated by Management to oversee nonaudit services:

Example Fiscal Officer

Title of Individual:

Example Clerk

Review of nonaudit services performed:
(Management's designee should check each item as it is reviewed.)

Statement of Receipts, Disbursements, and Cash and Investment Balances:

- Beginning cash and investments agree with prior year ending balances for each fund and for the total of all funds.
- Ending balances are reported correctly for each fund and the total of all funds.
- Titles of funds are reported correctly for each fund.

Notes to the Financial Statement:

- Notes to the financial statement as compiled accurately reflect the governmental unit.

Combining Schedule of Receipts, Disbursements, and Cash and Investment Balances:

- Beginning cash and investments agree with prior year ending balances for each fund.
- Ending balances are reported correctly for each fund.
- Titles of funds are reported correctly for each fund.

Other Supplementary Schedules (Schedule of Payable and Receivables, Schedule of Leases and Debt, Schedule of Capital Assets)

- All information is correct and presented as management intended.

All Statements, Schedules and Notes:

- Fund names are correct. (Fund names will appear as shown in the report.)
- Unit name is correct throughout report.

As the management designee, I have reviewed the financial statement and notes to the financial statement for each of the aforementioned items. These items were prepared by use of our books and records. Our books and records adequately support the financial statement and notes to the financial statement prepared, and accordingly, I approve these items as compiled by the State Board of Accounts. I understand that slight modifications such as spelling, grammatical and formatting errors may be corrected during the processing of our report by the State Board of Accounts. I acknowledge that the financial statement, including the notes to the financial statement, are our responsibility. I have determined that the regulatory basis of accounting, as established by the Indiana State Board of Accounts, is an acceptable basis of presentation.

Name of Designee

Form 13

- On this form, Management of the Governmental Unit takes responsibility for:
 - Preliminary Financial Statements
 - Financial Statement
 - Required Supplementary Information (RSI)
 - Other Information
 - Notes to the Financial Statements
 - Schedule of Expenditures of Federal Awards (SEFA)
 - Notes to the SEFA



Form 13

- Examine all Gateway-compiled files for errors and differences
- If there are no errors and differences, initial each line and sign the form
- If there are errors and differences:
 - Document the errors and differences to discuss with the engagement team
 - Include this documentation in a separate attachment in your response to our Engagement Strategies Department
 - Contact the Audit Coordinator copied on the engagement planning communication email to discuss the desired changes
 - Do NOT make changes in the files



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Forms 7 and 9

- Auditing standards require that auditors gain an understanding of:
 - Industry, regulatory, and other factors affecting the governmental unit
 - Nature of the governmental unit
 - Objectives and strategies
 - Related business risks
 - Measurement and review of the governmental unit's financial performance
 - The governmental unit's internal controls
- The Forms 7 and 9 allow us to gain this required understanding



Form 7

- A couple of things to keep in mind as you fill out the Form 7:
 - This form assists us in gaining an understanding of your internal controls
 - You only need to complete Part I of this form
 - Parts II and III will be completed by the engagement team once they arrive on-site

(02/23) Form 7 UNDERSTANDING THE DESIGN AND IMPLEMENTATION OF
INTERNAL CONTROLS – ENTITY LEVEL
Page 1 of 11

PART I – TO BE COMPLETED BY UNIT OFFICIAL

Questionnaire completed by:

Name	Title	Date

CONTROL ENVIRONMENT

1. Communication and enforcement of integrity and ethical values:

a. What action is taken to address departures from approved policies or unacceptable conduct that might create errors on the accounting records?

b. If fraud is alleged, what does management or the governing body (board) do to investigate the allegation, take appropriate and consistent actions against violators, and assess how relevant controls could be improved?

2. Commitment to competence:

a. What background, education, and experience do accounting personnel have that assist them with their duties?

b. What training do employees receive to help them maintain their accounting and financial reporting competencies?

3. Participation of those charged with governance (board):

a. How does the governing body (board) oversee the activities of management that are related to financial reporting (what oversight does the board give on the accounting records?)



Form 9

- A couple of things to keep in mind as you fill out the Form 9:
 - This form assists us in gaining an understanding of the nature and environment of your unit
 - You only need to complete Part I of this form
 - Parts II and III will be completed by the engagement team once they arrive on-site

(02/23) Form 9 Generic UNDERSTANDING THE ENTITY AND ITS ENVIRONMENT
Audit Period: __

Part I - Questionnaire

Questionnaire completed by:

Name	Title	Date

General Information

Name of Governmental unit:			
Governmental unit's address:			
Governmental units website:		Email address:	
Primary contact:		Telephone number:	Fax number:

Structure and Governance

1. Describe the overall structure of the governmental unit. If possible, obtain a copy of the municipal charter, enabling legislation, etc., for retention in the client's permanent file:
 - a. Type of unit: __
 - b. Description of structure: __
2. Primary activities, programs, and services of the governmental unit are:
 - a. __
 1. __
 - b. __
 1. __
3. List the members of the governing body; for example board or council members:

Name	Title	First Year Elected/Appointed to Position	Background
4. List the principal members of the executive branch of the governmental unit including the finance department. (director, controller, etc.) Designate the principal audit contact.

Form 9 Special Topics: Service Organizations

- Many entities outsource aspects of their business activities to organizations that provide services ranging from a specific task under the entity's direction to replacing entire business units or functions
- Not all services are relevant to our engagement
- Relevant services are the services and the controls over them that affect the user entity's financial information relevant to financial reporting
- Note: A one-time service would not make the organization a service organization, a reoccurring nature is required

Form 9 Special Topics: Service Organizations

- **Examples of Services Needing to be Evaluated:**

- Payroll processing services
- Third party administrating for self-insurance plans
- Billing services for an enterprise activity
- Processing cash receipts via a lockbox system with a financial institution
- Collecting taxes
- Performing a unit's condition assessments of infrastructure assets using the modified approach
- Performing the annual inventory and valuation of capital assets



Form 9 Special Topics: Service Organizations

- Example of services that do NOT need to be evaluated
 - AU-C 402.05: “This section does not apply to services that are limited to processing an entity's transactions that are specifically authorized by the entity, such as the processing of checking account transactions by a bank or the processing of securities transactions by a broker (that is, when the user entity retains responsibility for authorizing the transactions and maintaining the related accountability). In addition, this section does not apply to the audit of transactions arising from an entity that holds a proprietary financial interest in another entity, such as a partnership, corporation, or joint venture, when the partnership, corporation, or joint venture performs no processing on behalf of the entity.”



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A decorative graphic on the left side of the slide consists of a cluster of blue hexagons. One hexagon contains the logo of the Indiana State Board of Accountants, which features a central figure holding a scale and a sword, surrounded by the text "STATE BOARD OF ACCOUNTANTS" and "EST. 1909". Another hexagon contains the logo for the state of Indiana, featuring a yellow gear and the text "Indiana A State that Works".

Form 9 Special Topics: Related Parties

- Related parties include:
 - Members of the governing body
 - Administrative officials
 - Immediate family members of the governing body and officials
 - Employee Benefit Trusts managed by the governmental unit or for which unit's management is the trustee
 - Holding Corporations/Building Corporations

Form 9 Special Topics: Related Parties

- Types of Related Party Transactions include:
 - Receiving or furnishing of goods, services, or facilities
 - Sale, purchase, exchange, or leasing of property
 - Transfer or receipt of income or assets
 - Other transactions including side agreements, implicit or informal understandings, or other agreements



Forms 7 and 9

- We will include information that was provided to us during your prior engagement
- Review the information for accuracy to the best of your knowledge
- Make necessary modifications in either a highlighted font, or a different-colored font
 - Do not delete information; rather, use the strikethrough function
- You may attach and refer to any documents that provide further context on, or that answer any questions
 - Please include these documents in your return email to our Engagement Strategies Department



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Letter of Instruction

- Further details the information regarding completion of the Forms 7, 9, and 13
- Recommended first resource to answer questions about these forms



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Questions?

